

Virginia Department of Mines, Minerals & Energy

Virginia Gas and Oil Board

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Minutes and results of hearing, January 17, 2006

Board members present: Ms. Barber, Mr. Harris, Mr. McIntyre, Ms. Quillen, Mr. Wampler

1. The board received a quarterly/year-end report on the board escrow account as administered by Wachovia Bank, Escrow Agent for the Virginia Gas and Oil Board.

Opening balance for the quarter was \$11,756,081.93. The account received deposits of \$912,940.76 plus interest of \$99,030.98, and was debited for \$34,562.74 in disbursements and \$7,087 in adjustments leaving a closing balance of \$12,726,403.27. Closing interest rate for the quarter was 3.86. For the year, the account received total deposits of \$2,899,712.06 and interest of \$303,150.04 while paying out \$440,505.07 in disbursements and \$60,000 in bank contract fees.

2. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of conventional unit V-502028, Kenady District, Dickenson County, Virginia. Docket Number VGOB-05-0816-1492-01. Continued from December.

The V-502028 112.69-acre conventional gas unit includes tracts having undetermined ownership. One of the possible owners is under lease while the other is unleased. The applicant controls 45.5% of the oil and gas interests, and seeks to pool the remaining 56.5% of the interests. Unleased acreage subject to pooling totals 63.4 net acres in five tracts having five unleased owners. There are unlocated and unknown owners subject to escrow. A permit to drill the unit was issued on 8/24/05. Pooling was approved.

3. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for pooling of conventional gas unit HRVAE #12, PK K-20, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0920-1502. Continued from November.

In the HRVAE #12, K-20 180-acre conventional gas unit, the applicant controls 39.3% of the oil and gas interests, and seeks to pool the remaining 60.7% of the interests. Unleased acreage subject to pooling totals 109.2 net acres in four tracts having five owners who are leased to a different operator. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

4. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit C-50, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1556.

In the C-50 80-acre unit, the operator controls 61.2% of the coal and gas interests, and seeks to pool the remaining 38.8% of the interests. Unleased acreage subject to pooling totals 31.0 net acres in one tract with nine unleased owners. There are no conflicting claimants or unknown owners subject to escrow but there are conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 10/27/05. Continued to February.

5. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit G-11, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1557.

In the G-11 80-acre unit, the operator controls 99.85% of the coal and gas interests, and seeks to pool the remaining 0.15% of the interests. Unleased acreage subject to pooling totals 0.06 net acres in one tract with two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill the unit was issued on 10/27/05. Continued to February.

6. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AV-130, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-06-0117-1558.

In the AV-130 48.21-acre unit, the applicant controls 100% of the coal interests and 64.85% of the gas interests, and seeks to pool the remaining 35.15% of the gas interests. Unleased gas acreage subject to pooling totals 16.9 net acres in four tracts with 35 unleased claimants. There are conflicting claimants and unknown owners subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 10/17/05. Pooling was approved.

7. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AY-123, New Garden District, Russell, Buchanan County, Virginia. Docket Number VGOB-06-0117-1559.

In the AY-123 58.74-acre unit, the applicant controls 93.0% of the coal interests and 99.6% of the gas interests, and seeks to pool the remaining 7.0% of the coal interests and 0.4% of the gas interests. Unleased coal acreage subject to pooling totals 4.1 net acres in one tract with 25 unleased owners, and gas acreage subject to pooling totals 0.2 net acres in one tract with 14 unleased owners. There are conflicting claimants and unlocated owners subject to escrow, and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 12/13/04. Pooling was approved.

8. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for creation and pooling of coalbed methane unit TA-24, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-06-0117-1560.

In the TA-24 41.66-acre unit, the operator controls 91.5% of the coal and gas interests, and seeks to pool the remaining 8.5% of the interests. Unleased acreage subject to pooling totals 3.5 net acres in one tract with two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill the unit was issued on 2/14/02. Pooling was approved.

9. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for creation and pooling of coalbed methane unit TA-28, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-06-0117-1561.

In the TA-28 41.66-acre unit, the operator controls 95.5% of the coal and gas interests, and seeks to pool the remaining 4.5% of the interests. Unleased acreage subject to pooling totals 1.9 net acres in one tract with two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill the unit was issued on 2/21/02. Pooling was approved.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit P-40, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0216-0330-04.

In the P-40 80-acre unit, the applicant controls 99.98% of the coal interests and 60.6% of the gas interests, and seeks to pool

the remaining 0.02% of the coal interests and 39.4% of the gas interests. Unleased coal acreage subject to pooling totals 0.02 net acres in one tract with five unleased owners, and gas acreage subject to pooling totals 31.5 net acres in nine tracts with eight unleased owners. There are conflicting claimants subject to escrow, and conflicting claimants subject to existing royalty split agreements. Two permits to drill the unit were issued on 10/9/92 and 10/2/92. Pooling was approved.

11. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for establishment of drilling units under field rules allowing for horizontal drilling, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-04-0921-1341-03.

The Board has previously approved an 80-acre grid pattern in the area of this application to accommodate horizontal drilling, and has previously approved three such projects. This proposal involves the drilling of two wells (one service well and one producing well) and two horizontal legs without laterals. CNX Gas Company controls 100% of the CBM estate. Permits to drill the wells were issued on 10/4/05 and the vertical sections have been drilled. Field rules for horizontal drilling were approved.

12. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for a well location exception for proposed well V-536763, Lipps District, Wise County, Virginia. Docket Number VGOB-06-0117-1562.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 115 feet closer to existing Equitable gas well P-204 than the 2500 feet mandated by spacing. The exception is needed because of topographic constraints. No permit application has been submitted. The location exception was approved.

13. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536618, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1563.

In the VC-536618 58.77-acre unit, the applicant controls 100% of the coal interests and 0.0% of the gas interests, and seeks to pool 100% of the gas interests. Unleased gas acreage subject to pooling totals 58.77 net acres in one tract with one unleased and unlocated claimant. There are conflicting claimants and unknown owners subject to escrow. An application for permit to drill has been submitted. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of conventional unit V-535433, Castlewood District, Russell County, Virginia. Docket Number VGOB-06-0117-1564.

In the V-535433 112.69-acre conventional gas unit, the applicant controls 96.97% of the oil and gas interests, and seeks to pool the remaining 3.03% of the interests. Unleased acreage subject to pooling totals 3.4 net acres in one tract owned by one unknown and unleased heirship. The unlocated owners are subject to escrow. A permit to drill the unit was issued on 9/30/03 and renewed on 8/12/05. Pooling was approved.

15. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of conventional unit V-536763, Lipps District, Wise County, Virginia. Docket Number VGOB-06-0117-1565.

In the V-536763 112.69-acre conventional gas unit, the applicant controls 93.9% of the oil and gas interests, and seeks to pool the remaining 6.1% of the interests. Unleased acreage subject to pooling totals 6.8 net acres in two tracts with 16 unleased owners. There are unlocated owners subject to escrow. No permit application has been submitted. Pooling was

approved.

16. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536548, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0117-1566.

In the VC-536548 58.77-acre unit, the applicant controls 100% of the coal interests and 99.8% of the gas interests, and seeks to pool the remaining 0.2% of the gas interests. Unleased gas acreage subject to pooling totals 0.13 net acres in one tract with two unleased claimants. There are conflicting claimants subject to escrow. An application for permit to drill has been submitted. Pooling was approved.

17. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536545, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0117-1567.

In the VC-536545 58.77-acre unit, the applicant controls 100% of the coal interests and 99.4% of the gas interests, and seeks to pool the remaining 0.6% of the gas interests. Unleased gas acreage subject to pooling totals 0.3 net acres in one tract with two unleased claimants. There are conflicting claimants subject to escrow. A permit to drill the unit was issued on 7/28/05. Pooling was approved.

18. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-535686, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1568.

In the VC-535686 58.77-acre unit, the applicant controls 100% of the coal interests and 70.95% of the gas interests, and seeks to pool the remaining 29.05% of the gas interests. Unleased gas acreage subject to pooling totals 17.1 net acres in one tract with one unleased and unknown owner. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued 12/16/05. Pooling was approved.

19. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536613, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1569.

In the VC-536613 58.77-acre unit, the applicant controls 100% of the coal interests and 0.0% of the gas interests, and seeks to pool 100% of the gas interests. Unleased gas acreage subject to pooling totals 58.77 net acres in one tract with one unleased and unlocated claimant. There are conflicting claimants and unknown owners subject to escrow. An application for permit to drill has been submitted. Pooling was approved.

20. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-501905, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0117-1570.

In the VC-501905 58.77-acre unit, the applicant controls 100% of the coal interests and 95.05% of the gas interests, and seeks to pool the remaining 4.95% of the gas interests. Unleased gas acreage subject to pooling totals 2.9 net acres in one tract with two unleased claimants. There are conflicting claimants subject to escrow. An application for permit to drill has been submitted. Pooling was approved.

21. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location exception for proposed well 825809 Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1571.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 222 feet closer to existing Columbia gas well CNR-24908 than the 2500 feet mandated by spacing. The exception is needed because of topographic constraints and mining considerations. No permit application has been submitted. Carried forward to February.

22. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location exception for proposed well 825810 Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1572.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 287 feet closer to existing Columbia gas well CNR-825605 than the 2500 feet mandated by spacing. The exception is needed because of topographic constraints and mining considerations. No permit application has been submitted. Carried forward to February.

23. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for pooling of conventional unit 825605, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1573.

In the 825605 112.69-acre conventional gas unit, the applicant controls 90.5% of the oil and gas interests, and seeks to pool the remaining 9.5% of the interests. Unleased acreage subject to pooling totals 10.7 net acres in one tract with two owners who are leased to other parties. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

24. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for pooling of conventional unit 825811, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1574.

In the 825811 112.69-acre conventional gas unit, the applicant controls 91.2% of the oil and gas interests, and seeks to pool the remaining 8.8% of the interests. Unleased acreage subject to pooling totals 9.95 net acres in one tract with two owners who are leased to other parties. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

25. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for pooling of conventional unit HRVAE #15, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0117-1575.

In the Hrvae #15 112.69-acre conventional gas unit, the applicant controls 47.0% of the oil and gas interests, and seeks to pool the remaining 53.0% of the interests. Unleased acreage subject to pooling totals 59.7 net acres in two tracts with two owners who are leased to other parties. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

26. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for disbursement of escrowed funds and authorization for direct payment of future royalties on a portion of tract 2, coalbed methane unit VAD-3738, Gladeville District, Wise County, Virginia. Docket Number VGOB-97-1021-0612-01.

A previously unlocated owner whose interests were pooled by the Board has been located. Applicant seeks disbursement of all escrowed funds attributable to the interests of the located party and an amended supplemental order allowing direct payment of future revenues. Disbursement of funds was approved.

27. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for disbursement of escrowed funds and authorization for direct payment of future royalties on a portion of tract 2, conventional unit VAD-3738, Gladeville District, Wise County, Virginia. Docket Number VGOB-97-1021-0613-01.

A previously unlocated owner whose interests were pooled by the Board has been located. Applicant seeks disbursement of all escrowed funds attributable to the interests of the located party and an amended supplemental order allowing direct payment of future revenues. Disbursement of funds was approved.

The deadline for filing of petitions to the Board for the February 2006 hearing is 5 p.m., Friday, January 20, 2006 with the hearing scheduled for 9 a.m. on Tuesday, February 21, 2006 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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